

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

In the Matter of

**GEICO GENERAL INSURANCE
COMPANY, GOVERNMENT
EMPLOYEES INSURANCE
COMPANY, GEICO CASUALTY
COMPANY, AND GEICO
INDEMNITY COMPANY**

Respondents.

File Nos. UPA 05048291
UPA 05048292
UPA 05048283
UPA 05048294

OAH No. N2005 110707

STIPULATION AND WAIVER

Respondents GEICO GENERAL INSURANCE COMPANY, GOVERNMENT EMPLOYEES INSURANCE COMPANY, GEICO CASUALTY COMPANY, AND GEICO INDEMNITY COMPANY (“Respondents”) and the California Department of Insurance (“Department”) stipulate as follows:

WHEREAS, Respondents currently are, and at all times relevant hereto were, insurers licensed to conduct various classes of insurance in California and were conducting insurance business in California at the time of the alleged violations; and,

WHEREAS, on November 18, 2005, January 18, 2006, and April 5, 2006, respectively, the Department issued an “Order to Show Cause and Statement of Charges; Notice of Monetary Penalty,” an “Amended Order to Show Cause and Statement of Charges; Notice of Monetary Penalty” and a “Second Amended Order to Show Cause and Statement of Charges; Notice of Monetary Penalty” (the “OSC”) under file number UPA 05048291, alleging violations of Insurance Code Sections 758(c), 758.5, 790.03(h)(5) and Title 10, California Code of Regulation (“CCR”), Sections 2695.7(g), 2695.7(b)(1), 2695.8(f) and 2698.91; and,

WHEREAS, Respondents have denied the allegations of the OSC, but acknowledge that those allegations, if proven to be true, may constitute grounds for the Commissioner to impose a civil penalty and issue an order to Respondents to cease and desist from engaging in those methods, acts, or practices found to be unfair or deceptive pursuant to the provisions of the

Insurance Code of the State of California; and

WHEREAS, the Department and Respondents have discussed Respondents' need to comply with the provisions of the Code and the Department's regulations; and,

WHEREAS, Respondents have implemented various measures to ensure compliance with the Code and Regulations; and,

WHEREAS, the Department and Respondents believe that it is in the public interest to resolve informally all matters raised by certain complaints submitted to the Department and by the OSC without the need for a formal hearing or any further administrative action;

THEREFORE, with respect to the matters stated herein, the Department and Respondents agree as follows:

A. This compromise settlement is not an admission of liability, wrongdoing or violation of law and no court, nor this agency, has made any factual findings or legal conclusions. Respondents have agreed to the terms herein to avoid an unnecessary hearing and in the interest of resolving the matter. Respondents waive their right to a hearing and any and all rights that Respondents may be entitled to pursuant to Chapter 5, Part 1, Division 3, Title 2 of the California Government Code.

B. Respondents agree that in lieu of disciplinary action against their Certificates of Authority, the Commissioner, by his written order to be made and filed herein, and without further notice to Respondents, orders that Respondents will not engage in any methods, acts or practices that are violative of Insurance Code Sections 790.03 and the Fair Claims Settlement Practices Regulations (CCR, Title 10, Chapter 5, Section 2695.1 et seq.), including all specific allegations made in the OSC.

C. Respondents will submit a Labor Rate Survey that is compliant with all applicable statutes and regulations at the time such survey is submitted.

D. Respondents will conduct an internal audit of complaints submitted to Respondents or the Department since January 1, 2004 regarding labor rates to identify those claims, if any, where the insured or claimant paid an additional amount to the repair shop as a result of the difference in the labor rate charged by the repair shop and the amount paid by the

Respondents. Respondents shall reimburse the insured or claimant the additional amount paid no later than ninety days after Respondents are served with the Commissioner's Order approving the final settlement of this matter. Further, Respondents shall send the Department a report of the results of the audit and amounts reimbursed.

E. Beginning no later than the 60 days after Respondents are served with the Commissioner's Order approving the final settlement of this matter, Respondents shall calculate the cost of paint and materials on their repair estimates on an hour multiplied by rate basis only. Respondents, however, are free to negotiate the ultimate cost of paint and materials with the repair facility.

F. Any complaints concerning disputed labor rates or the calculation of paint and material on a repair estimate received by either Respondent or the Department during this 60 day period shall be submitted to Respondent and Respondent shall recalculate the labor rate on the estimate or the cost of paint and material and make the corresponding adjustment on the repair estimate that was the subject of the complaint and reimburse the insured or claimant the additional amount resulting from the adjustment. Any amounts paid pursuant to this paragraph should be included in the audit report submitted pursuant to paragraph D, above.

G. Respondents further agree that in lieu of disciplinary action against its Certificate of Authority, and in resolution of the Department's claims under California Insurance Code Sections 704, 790.03 and 790.035, Respondents shall pay the sum of \$60,000.00 (Sixty Thousand Dollars) to the State of California. All payments shall be made within thirty (30) days of receipt of an invoice from the Department. Payment shall be mailed to California Department of Insurance, Division of Accounting, 300 Capital Mall, 13th Floor, Sacramento, CA 95814.

H. Respondents acknowledge that, if it violates any of the terms or conditions of this Stipulation and Waiver, the Insurance Commissioner may bring disciplinary action against Respondents to enforce its terms in such manner as may be authorized by law.

I. This Stipulation and Waiver represents a complete resolution of the issues raised in the OSC referenced above, as well as all complaints against Respondents received by the

Department on the issue of labor rates, steering, and paint and materials on or before 60 days after Respondents are served with the Commissioner's Order approving the final settlement of this matter. Complaints received after this 60 day period may be subject to further action by the Department.

J. Respondents acknowledge that this Stipulation and Waiver is a public record under California Government Code Section 11517(d), and that it and any order issued pursuant thereto is accessible to the public pursuant to California Public Records Act, California Government Code Section 6250 et seq. Pursuant to California Insurance Code Section 12968, the Stipulation will also be posted on the Department's internet web site.

K. Respondents acknowledge that California Insurance Code Section 12921 requires the Insurance Commissioner to approve the final settlement of this matter, and that both the settlement terms and conditions contained herein and the acceptance of those terms and conditions are contingent upon the Commissioner's personal approval.

Dated: April 5, 2007

GEICO General Insurance Company,
Government Employees Insurance
Company, GEICO Casualty Company, and
GEICO Indemnity Company

By: _____/s/_____
Print Name: Cinda Smith
Title: Senior Counsel

Dated: April 10, 2007

California Department of Insurance

By: _____/s/_____
Teresa Campbell, Senior Staff Counsel